CHFA CONSTRUCTION COST EFFECTIVENESS GUIDELINES

Cost Effectiveness is strongly encouraged. An objective of the Connecticut Housing Finance Authority ("CHFA") is to maximize the overall cost effectiveness of developments, including but not limited to, construction costs for applications submitted to CHFA. All applications must meet CHFA's Standards of Design and Construction ("Standards") and comply with CHFA's Underwriting Standards and the CHFA/DECD Consolidated Application. Please find below materials, explanations, guidelines, and examples of CHFA's construction cost effectiveness scoring.

1. Definitions

A. Square Foot ("SF")

Square Footage is calculated using a building's first level footprint square footage, and adding the square footage of other levels (except basements and attics), to determine total square footage. Portions of basements, attics, and cantilevered sections used for living space shall be included (attic living areas are measured from knee wall to knee wall and gable end to gable end, where applicable). SF Cost is determined by dividing the Total Construction Cost by the project's Square Footage.

B. Total Construction Cost

Total Construction Cost is defined as all construction costs, inclusive of CSI Masterformat 1995 Construction Divisions 2 through 16, Contractor's General Requirements, Overhead & Profit, Building Permits and Fees, and Bond Premium. Total Construction Cost does <u>not</u> include Contingency Reserve.

C. Building Type Rehabilitation Definitions (based on the 2003 International Existing Building Code)

1. Minor Rehabilitation

Construction renovations to existing buildings, consisting of items such as: Kitchen cabinet replacement; Bathroom vanity replacement; new wall, ceiling and floor finishes in Kitchens and Bathrooms; A/C unit and sleeve replacement, etc.

2. Moderate Rehabilitation

Construction renovations to existing buildings, consisting of items such as: Kitchen cabinet replacement; Bathroom vanity replacement; new wall, ceiling and floor finishes in Kitchens, Bathrooms and various other rooms in each apartment; exterior door replacement; exterior window replacement; roof replacement; exterior siding repair or replacement; new hot water heaters; hot water boilers; A/C unit and sleeve replacement; electrical service upgrade, etc.

3. Substantial Rehabilitation

Construction renovations to existing buildings, consisting of all items listed for Moderate Rehabilitation above, and the inclusion of up to 50% of the items listed for Gut Rehabilitation below.

4. Gut Rehabilitation

Construction alterations and renovations to existing buildings, consisting of complete removal, replacement or reconfiguration of: interior partitions and walls; ceiling and floor finishes; replacement of all interior doors and frames; replacement of building mechanical and electrical systems; modifications to existing structure and exterior wall systems, including window and exterior door replacements and new building insulation; replacement of existing roof system(s); replacement of all interior Kitchen cabinets and Bathroom vanities; painting of all rooms in each apartment and common areas, etc.

2. Project Building Types Guideline Costs

A.	New Construction single building, multiple story (wood frame, vinyl siding)……..	$136 per SF
B.	New Construction multiple buildings, multiple story (wood frame, vinyl siding)...…	$130 per SF
C.	New Construction single/multiple buildings, multiple story (steel frame)……..…	$180 per SF
D.	Existing single building, multiple story minor rehabilitation……..	$32 per SF
E.	Existing multiple buildings, multiple story minor rehabilitation…….	$26 per SF
F.	Existing single building, multiple story moderate rehabilitation…….	$68 per SF
G.	Existing multiple buildings, multiple story moderate rehabilitation……	$63 per SF
H.	Existing single building, multiple story substantial rehabilitation……...	$99 per SF
I.	Existing multiple buildings, multiple story substantial rehabilitation…….	$94 per SF
J.	Existing single building, multiple story gut rehabilitation……...	$120 per SF
K.	Existing multiple buildings, multiple story gut rehabilitation…….	$115 per SF
L.	Existing single/multiple 19th/early 20th century mill buildings, gut rehabilitation…..	$145 per SF

3. Regional Construction Cost Differences

A. Regarding the matter of regional cost differences specifically related to cities and towns within Connecticut's eight counties: CHFA conducts a Prevailing Wage Study using two cities in each Connecticut County based on annual Prevailing Wage Building Rates published by the Connecticut Department of Labor.

B. Additional research includes the use of Location Factors for 2011 Residential Cost Data and 2011 Building Construction Cost Data, as determined by R. S. Means, a nationally-recognized company specializing in construction cost indices.

4. Construction Cost Evaluation Methodology

A. CHFA recognizes all construction projects as unique and understands there may be verifiable, SF cost differences between the Standards' guidelines and a General Contractor's cost submission. CHFA invites all applicants, before submission of a Financing and/or Funding Application to CHFA, to contact CHFA Technical Services to discuss conditions which may significantly **increase or decrease** SF costs.

B. Conditions which may significantly increase SF costs may be: extreme site conditions, extreme environmental conditions, material and labor market conditions, conditions specific to difficult inner city site profiles, interior and exterior finishes, and/or geothermal and photovoltaic applications. Recognition of the cost implications of these conditions results in the upward adjustment to the Standards Guideline SF Cost.

C. CHFA Technical Services derives a final cost per SF for each project by performing numerous site visits, evaluating architectural drawings from the schematic stage to 100% drawings, surveying lumber yards, concrete and asphalt plants, and other wholesalers/retailers for current unit pricing. CHFA's historical construction cost database is also accessed and used to determine construction cost effectiveness. When a construction project's final SF cost is determined, the SF cost, and all relevant material, is submitted to the CHFA Technical Services Peer Review Committee for further review, discussion and consensus.

Example 1: New construction, multiple buildings, multiple story wood frame, vinyl siding has a Standards guideline SF cost of $130. With the inclusion of extreme site and environmental conditions, and an upgrade from vinyl siding to brick veneer, the upward adjustments to the $130 Standards cost for this building type may approach or exceed $20 SF. A new Standard SF cost is established at $150 SF by adding additional costs to the Standard's guideline cost.

Using the Standards Guideline Cost for building type, or adjusting the Standards Guideline Cost due to project specific conditions, the Standards' Guideline Cost is compared to the project's General Contractor's SF cost, and a percentage deviation between the two costs is established.

Example 2: The Standards adjusted cost per Example 1 is $150.00 SF; the General Contractor's SF cost is $161.25. By dividing the adjusted Standards' SF cost into the General Contractor's SF cost and subtracting one (1), the percentage deviation is determined:

$161.25/$150.00=1.075; 1.075-1=.075 or 7.5%

5. Construction Cost Scoring

A. Each project is evaluated on a SF basis separately and apart from all other projects within a competitive funding round; each project is ranked in a competitive funding round, to determine placement in the round.

B. Applicants are ranked in descending order by their percentage deviation from CHFA's evaluation.

C. If applicants are ≤ 4.00% of the deviation, they receive 50 points.

If applicants are > 4.00% and ≤ 7.00% of the deviation, they receive 37.5 points

If applicants are > 7.00% and ≤10.00% of the deviation, they receive 25 points

D. If applicants fall outside of 10% of the deviation, 2.5 points is subtracted, per percentage point deviation, from 25 points, until zero is reached.

The chart on the following page provides a graphic example of Construction Cost Scoring

Please contact Robert Ottiano, CHFA's Construction & Tax Credit Cost Manager, at (860) 571 4296 with any questions.

The chart below expands on Construction Cost Evaluation Methodology Examples 1 & 2 above, and uses one building type and one Standard SF cost to graphically represent point scenarios in a competitive funding round. Please note that Cost Effectiveness Ranking is shown for informational purposes only, and has no bearing on the number of points awarded.

Standards' Adjusted Cost	Project S.F Cost	Percent Deviation	Score	Cost Effectiveness Ranking
$150.00	$150.00	0%	50	
$150.00	$151.52	1.01%	50	2
$150.00	$153.03	2.02%	50	3
$150.00	$154.55	3.03%	50	4
$150.00	$156.06	4.04%	37.5	5
$150.00	$157.58	5.05%	37.5	6
$150.00	$159.09	6.06%	37.5	7
$150.00	$160.61	7.07%	25	8
$150.00	$162.12	8.08%	25	9
$150.00	$163.64	9.09%	25	10
$150.00	$165.15	10.10%	22.5	11
$150.00	$166.67	11.11%	20	12
$150.00	$168.18	12.12%	17.5	13
$150.00	$169.70	13.13%	15	14
$150.00	$171.21	14.14%	12.5	15
$150.00	$172.73	15.15%	10	16
$150.00	$174.24	16.16%	7.5	17
$150.00	$175.76	17.17%	5	18
$150.00	$177.27	18.18%	2.5	19
$150.00	$178.79	19.19%	0	20
$150.00	$180.30	20.20%	0	21
$150.00	$181.82	21.21%	0	22
$150.00	$183.33	22.22%	0	23
$150.00	$184.85	23.23%	0	24
$150.00	$186.36	24.24%	0	25